



State of Vermont
Vermont Department of Education
120 State Street
Montpelier, VT 05620-2501

From: Cathy Hilgendorf, School Construction Coordinator
To: Superintendents, Regional Technical Center Directors, Business Managers
Subject: Qualified School Construction Bonds
Date: May 22, 2009

Under ARRA, the federal Treasury has issued state 2009 allocations for a new kind of tax credit bond: the Qualified School Construction Bond (QSCB). QSCBs are a zero-interest financing mechanism supported through federal tax credits to the bond purchaser. Vermont's authorization for 2009 is \$24,845,000. We are likely to see a similar authorization for 2010, to be determined by formula, by the Treasury, near year-end.

The minimum allocation amount per district will be \$500,000 and the maximum will be \$3,000,000. QSCB allocations are not grants; they are simply an authorization to seek out and utilize an interest-free bond from an entity desiring a tax credit in lieu of your interest.

Vermont Eligibility Criteria and Allocation Parameters

Unlike Qualified Zone Academy Bonds (see QZAB notes below), QSCB eligibility involves no poverty tests or demographic stipulations. All school districts with voter-approved school renovation, repair, or modernization projects may apply for a bond allocation. Consistent with the spirit of ARRA, allocations for QSCB financing will not be approved for refinancing other borrowing or for projects already completed or under construction. Bonding for the eligible project must be voter-approved before an application is submitted.

New construction and space additions, as well as any projects eligible for state school construction aid and/or receiving a QZAB allocation, will only be considered for QSCB allocations after all other qualified requests received by November 13, 2009 have been filled. The first round of allocations will be awarded based upon complete and qualifying applications received by **July 15, 2009**. A second round of allocations will be awarded based upon complete and qualifying applications received by **November 13, 2009**. Amounts remaining after November 20, 2009 may be used to increase the maximum allocations per district. If qualifying applications exceed available allocations, awards will be made based upon date of vote.

Process

The school district submits an application package to my office. I determine that the application meets the federal and state criteria and notify the district of the amount of Vermont's federal QSCB allocation that has been assigned to them. That basically ends the department's role.

Districts set up the financing independently, typically with a commercial bank. The terms of the QSCB (length of amortization and amount of tax credit) are set by the Treasury at date of issuance. I have been working with Vermont banks to establish a market and prepare referrals for you. In my opinion, there is no need to hire an outside consultant to market your bond. I am available to banks and the district for technical assistance.

Reminders

The issuance of bonds (any type of bonds) by school districts is subject to provisions of Vermont law. The district may wish to utilize bond counsel for QSCBs just as they might any other type of bonding.

Title 24 V.S.A. §1786a should be reviewed. Improvements financed for more than five years must be voter approved by Australian ballot.

QZAB notes

Qualified Zone Academy Bonds, which have been around for eight or nine years, are a different kind of tax credit bond. Currently, there is \$2,747,000 available. Two basic qualification criteria, which apply to QZABs and **not** to QSCBs, are (1) at least 35% of students served by the project are eligible for free or reduced-price lunch, and (2) a partnership with one or more businesses or private entities who pledge a contribution to the school worth at least ten percent of the amount of the bond.

Application for Qualified School Construction Bond (QSCB) allocation is attached.

Questions should be directed to

Cathy Hilgendorf

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(802) 828-5402

**Qualified School Construction Bond
Allocation Request**

Vermont School District: _____

School Building: _____ Date: _____

The Board of School Directors of the above named school district applies for a tax credit bond allocation as authorized by ARRA and described in IRS/Treasury Notice 2009-35. The state of Vermont is not responsible for issuing, purchasing, or guaranteeing the bonds in any way.

Attachments required:

1. A detailed description of the work to be financed through the QSCB.
2. Project budget, detailing both total project costs and revenue sources.
3. Date construction is expected to begin and permitting status as of application date.
4. Evidence that district voters have authorized bonding for eligible school construction or renovation.

Amount of QSCB allocation being requested: _____
(Minimum \$500,000; maximum \$3 million.)

I certify that to the best of my knowledge, the information provided with this application is true and correct and is in compliance with statutes and with administrative provisions of the Vermont Department of Education. The board of school directors for the above named district has authorized me to sign this application on its behalf.

Signature of the Superintendent of Schools

Date

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VERMONT DEPARTMENT OF EDUCATION USE:

Complete application received (date): _____

Application approval status: _____ Amount of Allocation: _____

Comments: _____

Authorized Signature: _____